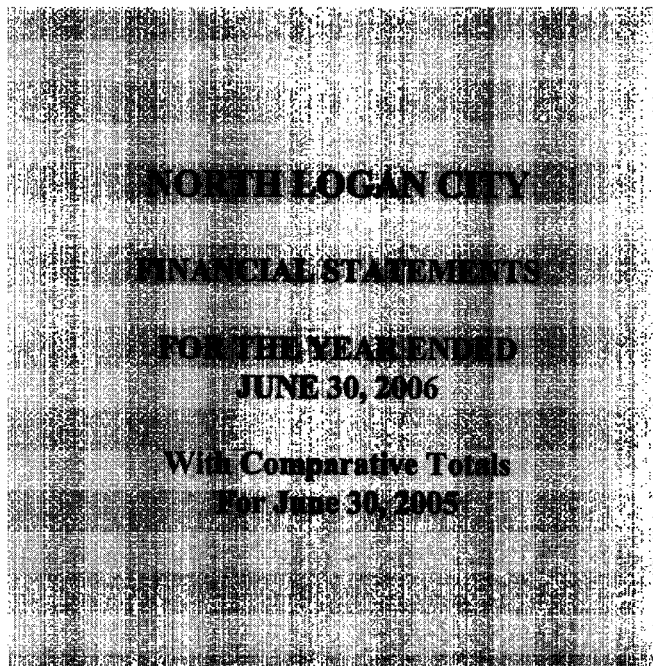




Peterson  
Allred  
Jackson



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## **INTRODUCTORY SECTION**

**CITY OF NORTH LOGAN**

2076 NORTH 1200 EAST  
NORTH LOGAN, UTAH 84341  
(435) 752-1310  
FAX (435) 752-1357

CARY WATKINS, MAYOR

JEFFREY M. JORGENSEN, P.E.  
CITY ADMINISTRATOR, RECORDER

September 29, 2006

North Logan City  
North Logan, Utah

Council:

It is with great pleasure that the financial statements for the North Logan City for the year ended June 30, 2006, are presented.

In addition to the fund financial information currently presented in the City's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the City including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

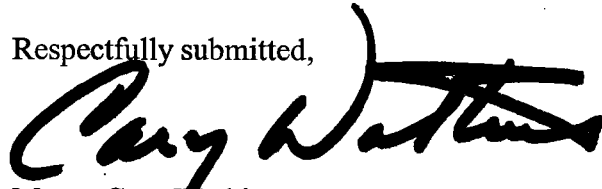
State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2006, in accordance with these requirements.

This report consists of management's representations concerning the finances of North Logan City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

North Logan City's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of North Logan City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that North Logan City's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cary Watkins", is written over the printed name.

Mayor Cary Watkins  
North Logan City

**FINANCIAL SECTION**

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Peterson  
Allred  
Jackson

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results for our audit.



Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The combining nonmajor fund statements and schedule of impact fees listed in the table of contents are presented for purposes of additional analysis of the financial statements of the City. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Peterson Alfred Jackson*

September 29, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of North Logan City we offer readers of North Logan City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2006.

### FINANCIAL HIGHLIGHTS

- General unreserved fund balance was 11% of estimated general fund revenue as of 6/30/06 (State of Utah requires between 5% and 18%).
- The total net assets of North Logan City increased 9.6% to \$15,116,400.
- The total net assets of \$15,116,400 are made up of \$12,873,820 in capital assets net of related debt and \$2,242,580 in other net assets.
- In the General Fund, revenues were more than expenditures by \$914,222 before other financing sources and uses.
- Total long-term liabilities of the City were reduced by \$352,566.
- Business-type activities' total net assets increased \$438,822.

### REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to North Logan City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

**The government-wide financial statements** are designed to provide readers with a broad overview of North Logan City's finances in a manner similar to a private-sector business.

- The statement of net assets presents information on all of North Logan City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Logan City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of North Logan City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. North Logan City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the way money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Library Special Revenue Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary funds** – North Logan City maintains one type of proprietary fund (enterprise funds), which reports the same functions presented as business-type activities in the government-wide financial statements. North Logan City uses enterprise funds to account for its Water Utility, Sewer Utility, and Storm Water Utility.

As determined by generally accepted accounting principles, the Water Utility and Sewer Utility funds meet the criteria of major fund classification. The rest of the proprietary funds are determined to be nonmajor and are included in the combining statements within this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of North Logan City, assets exceed liabilities by \$15,116,400.

By far the largest portion of North Logan City's net assets (85%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 1,973,869	\$ 1,280,556	\$ 1,429,062	\$ 1,832,707
Capital assets	9,110,469	9,147,379	8,429,849	7,880,500
Total assets	11,084,338	10,427,935	9,858,911	9,713,207
Long-term debt outstanding	1,752,471	2,038,498	2,914,027	3,083,853
Other liabilities	994,307	934,961	166,044	289,336
Total liabilities	2,746,778	2,973,459	3,080,071	3,373,189
Net assets:				
Invested in capital assets, net of debt	7,357,998	7,108,881	5,515,822	4,796,647
Restricted	511,664	293,790	408,222	475,212
Unrestricted	467,898	51,805	854,796	1,068,159
Total net assets	\$ 8,337,560	\$ 7,454,476	\$ 6,778,840	\$ 6,340,018

## CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues:				
Program revenues:				
Charges for services	\$ 1,409,949	\$ 1,204,824	\$ 1,365,638	\$ 1,244,717
Dedicated property tax	279,403	274,319	32,911	32,911
Operating grants & contributions	137,334	113,317	-	-
Capital grants & contributions	783,047	487,268	343,917	244,100
General revenues:				
Property taxes	390,573	378,014	-	-
Other taxes	1,827,792	1,609,356	-	-
Investment income	8,261	14,689	56,904	50,077
Other revenues	19,826	9,431	-	-
Total revenues	4,856,185	4,091,218	1,799,370	1,571,805
Expenses:				
General government	564,804	478,644	-	-
Public Safety	1,364,662	1,274,435	-	-
Streets	921,112	940,534	-	-
Sanitation	480,148	449,064	-	-
Parks & recreation	460,091	744,794	-	-
Community development	182,284	188,566	-	-
Water	-	-	637,908	621,455
Sewer	-	-	670,573	666,163
Storm water	-	-	52,067	-
Total expenses	3,973,101	4,076,037	1,360,548	1,287,618
Increase (decrease) in net assets	883,084	15,181	438,822	284,187
Net assets, beginning	7,454,476	7,439,295	6,340,018	6,055,831
Net assets, ending	\$ 8,337,560	\$ 7,454,476	\$ 6,778,840	\$ 6,340,018

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2006, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,085,378. This represents an increase of \$625,885 (136%) over last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to match revenues and expenses are accounted for in this fund.

Taxes are the largest source of revenue in the General Fund and represent 52% of total general fund revenues. The largest element is sales taxes, which represent 82% of total tax revenues and 43% of total General Fund revenues. This compares with 43% in the prior fiscal year ended June 30, 2005.

As stated earlier, the City maintains three enterprise funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities (but in much more detail) as is provided in the government-wide financial statements.

Significant changes in the governmental funds include a decrease of long-term debt of \$286,027 due to bond and lease principal payments.

Significant changes in business-type activities include a decrease in long-term debt of \$169,826 due to bond principal payments.

## **GENERAL AND LIBRARY FUND BUDGETARY HIGHLIGHTS**

The General Fund original budget for expenditures was \$3,997,342, which was increased 2.5% to \$4,098,066 to adjust for additional transfers and a public safety grant.

The Library Fund original budget for expenditures was \$318,895, which was increased 62% to \$517,784 to adjust for handling library bond principal and interest that was previously processed through the General Fund.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets – North Logan City's investment in capital assets (net of accumulated depreciation) as of June 30, 2006, amounts to \$17,540,318. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc), and equipment. The total increase in the City's investment in fixed assets was 3% due to capital additions noted below, less depreciation and assets disposed of in Note 10 to the financial statements.

Major capital asset events during the current fiscal year included the following:

- \$518,566 for sewer system improvements.
- \$336,603 for additional land.
- \$247,241 for construction of roads and sidewalks.
- \$230,002 for water system improvements.
- \$102,470 for fire department equipment.

#### NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land & water shares	\$ 2,309,511	\$ 27,310
Buildings and equipment	4,829,309	786,863
Systems	12,508,361	12,216,183
Less: Accumulated depreciation	<u>(10,536,712)</u>	<u>(4,600,507)</u>
Total	<u>\$ 9,110,469</u>	<u>\$ 8,429,849</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – At June 30, 2006, the City had total bonded debt outstanding of \$4,564,027. Of this amount \$3,963,746 is considered to be general obligation debt and backed by the full faith and credit of the City. The remainder of \$600,281 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

#### NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
General obligation bonds- water, sewer, library, and roads	\$ 1,650,000	\$ 2,313,746
Revenue bonds		<u>600,281</u>
Total outstanding debt	<u>\$ 1,650,000</u>	<u>\$ 2,914,027</u>

The City's bonded debt decreased by \$369,826 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

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**NORTH LOGAN CITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

**With Comparative Totals for June 30, 2005**

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2006	2005
<b>ASSETS</b>				
Current Assets:				
Cash & Cash equivalents	\$ 402,158	\$ 849,355	\$ 1,251,513	\$ 1,327,783
Account receivable, net	1,012,835	148,273	1,161,108	970,640
Prepaid expense	8,920	-	8,920	8,470
Total current assets	1,423,913	997,628	2,421,541	2,306,893
Noncurrent assets:				
Deferred issue cost	11,280	23,212	34,492	37,368
Restricted assets:				
Cash	485,028	408,222	893,250	722,024
Accounts receivable	53,648	-	53,648	46,978
Capital assets:				
Land and water shares	2,309,511	27,310	2,336,821	2,000,218
Distribution and collection systems	12,508,361	12,216,183	24,724,544	23,730,780
Buildings and equipment	4,829,309	786,863	5,616,172	5,696,220
Less: Accumulated Depreciation	(10,536,712)	(4,600,507)	(15,137,219)	(14,399,339)
Total noncurrent assets	9,660,425	8,861,283	18,521,708	17,834,249
Total assets	11,084,338	9,858,911	20,943,249	20,141,142
<b>LIABILITIES</b>				
Current liabilities:				
Cash allocation	-	52,067	52,067	112,395
Accounts payable	117,745	98,118	215,863	322,510
Accrued expense	45,043	-	45,043	34,731
Deposits	10,895	-	10,895	10,495
Accrued interest payable	-	15,859	15,859	16,660
Bonds/leases payable within one year	266,169	173,865	440,034	450,203
Total current liabilities	439,852	339,909	779,761	946,994
Noncurrent liabilities:				
Bonds payable	1,435,000	2,740,162	4,175,162	4,567,138
Leases payable	51,302	-	51,302	105,010
Accrued compensated absences	117,096	-	117,096	126,118
Deferred revenue	703,528	-	703,528	601,388
Total noncurrent liabilities	2,306,926	2,740,162	5,047,088	5,399,654
Total liabilities	2,746,778	3,080,071	5,826,849	6,346,648
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,357,998	5,515,822	12,873,820	11,905,528
Restricted for:				
Debt service	-	394,899	394,899	370,317
Impact fees	273,311	13,323	286,634	176,252
Class C roads	53,648	-	53,648	46,978
Library debt service	157,844	-	157,844	151,422
Equestrian Park	5,634	-	5,634	5,405
Little League	-	-	-	3,079
State liquor funds	21,227	-	21,227	15,549
Unrestricted	467,898	854,796	1,322,694	1,119,964
Total Net Assets	\$ 8,337,560	\$ 6,778,840	\$ 15,116,400	\$ 13,794,494

The notes to the financial statements are an integral part of this statement.



**NORTH LOGAN CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	Program Revenues						Business Type Activities	Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities		2006	2005
Governmental activities:									
General government	\$ 564,804	\$ 221,288	\$ -	\$ 1,250	\$ -	\$ (342,266)	\$ -	\$ (342,266)	\$ (176,928)
Public Safety	1,364,662	644,142	-	12,185	176,038	(532,297)	-	(532,297)	(808,771)
Streets	921,112	-	-	-	433,556	(487,556)	-	(487,556)	(575,140)
Sanitation	480,148	502,256	-	-	-	22,108	-	22,108	23,003
Parks and recreation	460,091	42,263	279,403	123,899	173,453	158,927	-	158,927	(269,907)
Community development	182,284	-	-	-	-	(182,284)	-	(182,284)	(188,566)
Total governmental activities	3,973,101	1,409,949	279,403	137,334	783,047	(1,363,368)	-	(1,363,368)	(1,996,309)
Business-type activities:									
Water	637,908	817,271	-	-	241,187	-	420,550	420,550	253,523
Sewer	670,573	548,367	32,911	-	102,730	-	13,435	13,435	(19,413)
Storm water	52,067	-	-	-	-	-	(52,067)	(52,067)	-
Total business-type activities	1,360,548	1,365,638	32,911	-	343,917	-	381,918	381,918	234,110
General Revenues:									
Taxes:									
Property taxes levied for general purposes						390,573	-	390,573	378,014
Franchise taxes						11,736	-	11,736	10,860
General sales taxes & highway sales taxes						1,816,056	-	1,816,056	1,598,496
Business licenses						9,826	-	9,826	8,381
Sale of fixed assets						10,000	-	10,000	1,050
Investment income						8,261	56,904	65,165	64,766
Total general revenues						2,246,452	56,904	2,303,356	2,061,567
Change in net assets						883,084	438,822	1,321,906	299,368
Net assets - beginning						7,454,476	6,340,018	13,794,494	13,495,126
Net assets - ending						\$ 8,337,560	\$ 6,778,840	\$ 15,116,400	\$ 13,794,494

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**GOVERNMENTAL FUNDS TYPE**  
**BALANCE SHEET**  
**JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2006	2005
<b>ASSETS</b>					
Cash & cash equivalents	\$ 344,032	\$ 58,126	\$ -	\$ 402,158	\$ 101,084
Accounts receivable, net	1,012,835	-	-	1,012,835	864,992
Prepaid expense	8,920	-	-	8,920	8,470
Restricted cash	300,172	157,844	27,012	485,028	246,812
Restricted accounts receivable	53,648	-	-	53,648	46,978
<b>Total assets</b>	<b>\$ 1,719,607</b>	<b>\$ 215,970</b>	<b>\$ 27,012</b>	<b>\$ 1,962,589</b>	<b>\$ 1,268,336</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Cash allocation	\$ -	\$ -	\$ -	\$ -	\$ 112,395
Accounts payable	114,727	3,018	-	117,745	49,834
Accrued expenses	42,089	2,954	-	45,043	34,731
Deposits	10,895	-	-	10,895	10,495
Deferred revenue	703,528	-	-	703,528	601,388
<b>Total liabilities</b>	<b>871,239</b>	<b>5,972</b>	<b>-</b>	<b>877,211</b>	<b>808,843</b>
<b>Fund Balance:</b>					
<b>Reserved for:</b>					
Park impact	153,508	-	-	153,508	69,095
Road impact	119,803	-	-	119,803	2,262
Class C roads	53,648	-	-	53,648	46,978
Library debt service	-	157,844	-	157,844	151,422
Equestrian Park	5,634	-	-	5,634	5,405
Little League	-	-	-	-	3,079
State liquor funds	21,227	-	-	21,227	15,549
<b>Unreserved:</b>					
General fund	494,548	-	-	494,548	104,781
Special revenue funds	-	52,154	-	52,154	60,922
Capital projects funds	-	-	27,012	27,012	-
<b>Total fund balances</b>	<b>848,368</b>	<b>209,998</b>	<b>27,012</b>	<b>1,085,378</b>	<b>459,493</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,719,607</b>	<b>\$ 215,970</b>	<b>\$ 27,012</b>		
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>					
Capital assets used in governmental activities are not financial resources so they are not reported in the funds.					
The cost of these assets is \$19,647,181 and \$19,191,398, respectively and the accumulated depreciation is \$10,536,712 and \$10,044,019, respectively.				9,110,469	9,147,379
Long-term liabilities, including bonds payable and capital leases and accrued compensated absences, are not payable in the current period, so are not reported in the funds.				(1,858,287)	(2,152,396)
<b>Total net assets-governmental activities</b>				<b>\$ 8,337,560</b>	<b>\$ 7,454,476</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
GOVERNMENTAL FUNDS TYPE  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2006	2005
<b>Revenues:</b>					
Taxes	\$ 2,291,354	\$ 279,403	\$ -	\$ 2,570,757	\$ 2,261,689
Licenses and permits	331,294	-	-	331,294	190,390
Intergovernmental revenue	442,981	4,239	-	447,220	227,562
Charges for services	1,123,363	-	-	1,123,363	1,023,290
Fines	203,731	8,067	-	211,798	226,232
Other	41,792	119,961	-	161,753	161,005
<b>Total revenues</b>	<b>4,434,515</b>	<b>411,670</b>	<b>-</b>	<b>4,846,185</b>	<b>4,090,168</b>
<b>Expenditures:</b>					
<b>Current operations:</b>					
General government	550,485	-	24,366	574,851	475,778
Public safety	1,393,717	-	32,161	1,425,878	1,575,062
Streets	412,865	-	159,332	572,197	1,250,644
Sanitation	480,148	-	-	480,148	449,064
Parks and recreation	374,705	340,258	-	714,963	732,055
Community development	175,734	-	-	175,734	191,260
<b>Debt service:</b>					
Principal	115,000	85,000	-	200,000	190,000
Interest	17,639	68,890	-	86,529	95,004
<b>Total expenditures</b>	<b>3,520,293</b>	<b>494,148</b>	<b>215,859</b>	<b>4,230,300</b>	<b>4,958,867</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>914,222</b>	<b>(82,478)</b>	<b>(215,859)</b>	<b>615,885</b>	<b>(868,699)</b>
<b>Other financing sources (uses):</b>					
Sale of capital assets	10,000	-	-	10,000	1,050
Transfers in (out)	(474,425)	231,554	242,871	-	-
<b>Total other financing sources</b>	<b>(464,425)</b>	<b>231,554</b>	<b>242,871</b>	<b>10,000</b>	<b>1,050</b>
<b>Net change in fund balances</b>	<b>449,797</b>	<b>149,076</b>	<b>27,012</b>	<b>625,885</b>	<b>(867,649)</b>
<b>Fund balances, beginning of year</b>	<b>398,571</b>	<b>60,922</b>	<b>-</b>	<b>459,493</b>	<b>1,327,142</b>
<b>Fund balances, end of year</b>	<b>\$ 848,368</b>	<b>\$ 209,998</b>	<b>\$ 27,012</b>	<b>\$ 1,085,378</b>	<b>\$ 459,493</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances-total governmental funds	\$ 625,885
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Purchases of fixed assets	854,409	
Loss on disposal of assets	(117,448)	
Depreciation expense	<u>(773,871)</u>	(36,910)

Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	200,000	
Repayment of capital lease principal	86,027	
Change in accrued compensated absences	9,022	
Amortization of bond issuance costs	<u>(940)</u>	<u>294,109</u>

Change in net assets of governmental activities	<u>\$ 883,084</u>
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**NORTH LOGAN CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2006**

YEAR ENDED JUNE 30, 2006				
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
GENERAL FUND REVENUES				
Taxes:				
General property taxes-current	\$ 347,047	\$ 281,013	\$ 281,013	\$ -
Prior years' taxes-delinquent	16,509	21,058	21,058	-
General sales & use taxes	1,710,000	1,801,420	1,816,056	14,636
RAPZ tax	-	72,989	72,989	-
Franchise taxes	12,500	12,500	11,736	(764)
Fee-in-lieu of property taxes	88,281	88,281	88,502	221
Total taxes	2,174,337	2,277,261	2,291,354	14,093
Licenses & permits:				
Business licenses & permits	7,500	9,500	9,826	326
Building structures & equipment	175,000	263,500	314,261	50,761
Animal licenses	5,700	7,200	7,207	7
Total licenses & permits	188,200	280,200	331,294	51,094
Intergovernmental revenues:				
Public safety	14,750	184,668	182,985	(1,683)
State and other governmental grants	8,200	8,200	5,238	(2,962)
Class "C" road fund allotment	250,000	250,000	254,758	4,758
Total intergovernmental revenues	272,950	442,868	442,981	113
Charges for services:				
Zoning & subdivision fees	378,000	303,347	381,743	78,396
Sale of maps & publications	2,800	2,800	2,548	(252)
Public safety	232,686	232,977	226,911	(6,066)
Refuse collection charges	478,000	504,000	502,256	(1,744)
Parks and public property	11,100	11,355	9,905	(1,450)
Total charges for services	1,102,586	1,054,479	1,123,363	68,884
Fines & forfeitures:				
Fines	231,000	182,100	202,362	20,262
Forfeitures	2,000	2,000	1,369	(631)
Total fines & forfeitures	233,000	184,100	203,731	19,631
Miscellaneous revenue:				
Interest earnings	30,720	13,031	8,261	(4,770)
Rents & concessions	12,174	12,700	12,650	(50)
Sale of materials & supplies	9,000	41,000	29,631	(11,369)
Total Miscellaneous revenue	51,894	66,731	50,542	(16,189)
Contributions & transfers:				
Transfer from other funds	-	-	-	-
Contribution from private sources	75,000	1,000	1,250	250
Total contributions & transfers	75,000	1,000	1,250	250
Total Revenues	\$ 4,097,967	\$ 4,306,639	\$ 4,444,515	\$ 137,876

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
(CONTINUED)  
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>GENERAL FUND EXPENDITURES</b>				
General government:				
Legislative	\$ 83,374	\$ 73,001	\$ 70,918	\$ 2,083
Judicial	149,246	155,069	146,651	8,418
Executive	93,789	106,001	102,668	3,333
Administrative	94,378	93,150	89,865	3,285
Non-departmental	133,422	142,680	134,803	7,877
Planning & zoning	15,160	7,100	5,580	1,520
Total general government	569,369	577,001	550,485	26,516
Public Safety:				
Police department	644,645	688,621	677,303	11,318
Fire department	297,758	477,138	449,256	27,882
Protective inspection	210,712	228,109	223,125	4,984
Animal control	48,825	49,021	44,033	4,988
Total Public Safety	1,201,940	1,442,889	1,393,717	49,172
Streets & public improvements:				
Streets	469,578	478,188	412,865	65,323
Sanitation	455,000	480,000	480,148	(148)
Total streets & improvements	924,578	958,188	893,013	65,175
Parks, Recreation & Public Property:				
Park & park areas	553,060	429,949	320,082	109,867
Recreation & culture	41,014	45,001	43,794	1,207
Cemetery	14,000	14,000	10,829	3,171
Total parks, recreation & public property	608,074	488,950	374,705	114,245
Community & economic development:				
Community planning	174,881	180,168	175,734	4,434
Debt service:				
Debt service	287,000	133,000	132,639	361
Transfers & other uses:				
Transfer to other funds	231,500	317,870	474,425	(156,555)
Total transfers & other uses	231,500	317,870	474,425	(156,555)
<b>TOTAL EXPENDITURES</b>	<b>3,997,342</b>	<b>4,098,066</b>	<b>3,994,718</b>	<b>103,348</b>
Net change in fund balance	100,625	208,573	449,797	241,224
Fund balance at beginning of year	398,571	398,571	398,571	-
Fund balance at end of year	\$ 499,196	\$ 607,144	\$ 848,368	\$ 241,224

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**LIBRARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>LIBRARY FUND REVENUES</b>				
Dedicated property taxes	\$ 312,211	\$ 279,403	\$ 279,403	\$ -
Intergovernmental revenue	-	4,250	4,239	(11)
Fines	6,500	7,800	8,067	267
Other	41,750	115,830	119,961	4,131
Total Revenues	<u>360,461</u>	<u>407,283</u>	<u>411,670</u>	<u>4,387</u>
<b>Transfers</b>				
Transfer from other funds	<u>-</u>	<u>75,000</u>	<u>231,554</u>	<u>156,554</u>
Total Transfers	<u>-</u>	<u>75,000</u>	<u>231,554</u>	<u>156,554</u>
Total Revenues and Transfers	360,461	482,283	643,224	160,941
<b>LIBRARY FUND EXPENDITURES</b>				
General operations	318,895	363,784	340,258	23,526
Debt service principal	-	85,000	85,000	-
Debt service interest	-	69,000	68,890	110
Total Expenditures	<u>318,895</u>	<u>517,784</u>	<u>494,148</u>	<u>23,636</u>
Net change in fund balance	41,566	(35,501)	149,076	184,577
Fund balance at beginning of year	<u>60,922</u>	<u>60,922</u>	<u>60,922</u>	<u>-</u>
Fund balance at end of year	<u>\$ 102,488</u>	<u>\$ 25,421</u>	<u>\$ 209,998</u>	<u>\$ 184,577</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				<u>2006</u>	<u>2005</u>
<b>ASSETS</b>					
Current assets:					
Cash & cash equivalents	\$ 662,734	\$ 186,621	\$ -	\$ 849,355	\$ 1,226,699
Accounts receivable, net	95,729	52,544	-	148,273	105,648
Total current assets	758,463	239,165	-	997,628	1,332,347
Noncurrent assets:					
Deferred issue cost	23,212	-	-	23,212	25,148
Restricted cash	277,588	130,634	-	408,222	475,212
Capital assets					
Land & water shares	26,460	850	-	27,310	27,310
Distribution and collection systems	7,588,251	4,627,932	-	12,216,183	11,469,660
Buildings and equipment	525,720	261,143	-	786,863	738,850
Less accumulated depreciation	(2,639,623)	(1,960,884)	-	(4,600,507)	(4,355,320)
Total noncurrent assets	5,801,608	3,059,675	-	8,861,283	8,380,860
<b>TOTAL ASSETS</b>	<b>6,560,071</b>	<b>3,298,840</b>	<b>-</b>	<b>9,858,911</b>	<b>9,713,207</b>
<b>LIABILITIES</b>					
Current liabilities:					
Cash allocation	-	-	52,067	52,067	-
Accounts payable	33,235	64,883	-	98,118	272,676
Accrued interest payable	7,390	8,469	-	15,859	16,660
Bonds payable - due within a year	130,000	43,865	-	173,865	166,715
Total current liabilities	170,625	117,217	52,067	339,909	456,051
Noncurrent liabilities:					
Bonds payable - due in more than one year	1,845,000	895,162	-	2,740,162	2,917,138
Total noncurrent liabilities	1,845,000	895,162	-	2,740,162	2,917,138
Total liabilities	2,015,625	1,012,379	52,067	3,080,071	3,373,189
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,525,808	1,990,014	-	5,515,822	4,796,647
Restricted for debt service	264,265	130,634	-	394,899	370,317
Restricted for impact fees	13,323	-	-	13,323	104,895
Unrestricted	741,050	165,813	(52,067)	854,796	1,068,159
Total net assets	<b>\$ 4,544,446</b>	<b>\$ 2,286,461</b>	<b>\$ (52,067)</b>	<b>\$ 6,778,840</b>	<b>\$ 6,340,018</b>

The notes to the financial statements are an integral part of this statement.



**NORTH LOGAN CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 814,240	\$ 548,367	\$ -	\$ 1,362,607	\$ 1,242,281
Impact fees	241,187	102,730	-	343,917	204,968
Other	3,031	-	-	3,031	2,436
<b>Total operating revenues</b>	<b>1,058,458</b>	<b>651,097</b>	<b>-</b>	<b>1,709,555</b>	<b>1,449,685</b>
<b>OPERATING EXPENSES</b>					
Wages and benefits	121,144	54,918	-	176,062	165,118
Professional fees	3,414	1,200	800	5,414	4,656
Disposal and treatment	-	408,203	-	408,203	382,186
Utilities	43,303	-	-	43,303	37,721
Repairs and maintenance	78,184	8,520	1,356	88,060	65,742
Other	67,119	36,687	41,205	145,011	112,466
Facilities	49,158	12,510	8,352	70,020	68,199
Depreciation/amortization	174,481	102,222	-	276,703	283,097
<b>Total operating expenses</b>	<b>536,803</b>	<b>624,260</b>	<b>51,713</b>	<b>1,212,776</b>	<b>1,119,185</b>
<b>Operating income (loss)</b>	<b>521,655</b>	<b>26,837</b>	<b>(51,713)</b>	<b>496,779</b>	<b>330,500</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	37,960	18,944	-	56,904	50,077
Miscellaneous expense	(3,118)	-	-	(3,118)	(17,628)
Interest expense	(93,323)	(45,666)	(354)	(139,343)	(150,805)
Property tax	-	32,911	-	32,911	32,911
Loss on sale of fixed assets	(4,664)	(647)	-	(5,311)	-
Capital contributions	-	-	-	-	39,132
<b>Total non-operating revenue (expense)</b>	<b>(63,145)</b>	<b>5,542</b>	<b>(354)</b>	<b>(57,957)</b>	<b>(46,313)</b>
<b>Change in net assets</b>	<b>458,510</b>	<b>32,379</b>	<b>(52,067)</b>	<b>438,822</b>	<b>284,187</b>
<b>Total net assets - beginning</b>	<b>4,085,936</b>	<b>2,254,082</b>	<b>-</b>	<b>6,340,018</b>	<b>6,055,831</b>
<b>Total net assets -ending</b>	<b>\$ 4,544,446</b>	<b>\$ 2,286,461</b>	<b>\$ (52,067)</b>	<b>\$ 6,778,840</b>	<b>\$ 6,340,018</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,019,054	\$ 647,876	\$ -	\$ 1,666,930	\$ 1,462,770
Payments to suppliers	(445,360)	(507,937)	(51,713)	(1,005,010)	(533,667)
Payments to employees	(80,883)	(28,657)	-	(109,540)	(110,043)
<b>Net cash provided by operating activities</b>	<b>492,811</b>	<b>111,282</b>	<b>(51,713)</b>	<b>552,380</b>	<b>819,060</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(125,000)	(44,826)	-	(169,826)	(157,849)
Interest paid on capital debt	(93,323)	(45,666)	(354)	(139,343)	(150,805)
Purchases of capital assets	(307,860)	(521,567)	-	(829,427)	(693,521)
Capital contributions	-	-	-	-	39,132
<b>Net cash used by capital and related financing activities</b>	<b>(526,183)</b>	<b>(579,148)</b>	<b>(354)</b>	<b>(1,105,685)</b>	<b>(930,132)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	37,960	18,944	-	56,904	50,077
<b>Net cash provided by investing activities</b>	<b>37,960</b>	<b>18,944</b>	<b>-</b>	<b>56,904</b>	<b>50,077</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,588</b>	<b>(448,922)</b>	<b>(52,067)</b>	<b>(496,401)</b>	<b>(60,995)</b>
Cash and equivalents at beginning of year	935,734	766,177	-	1,701,911	1,762,906
<b>Cash and equivalents at end of year</b>	<b>\$ 940,322</b>	<b>\$ 317,255</b>	<b>\$ (52,067)</b>	<b>\$ 1,205,510</b>	<b>\$ 1,701,911</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 521,655	\$ 26,837	\$ (51,713)	496,779	330,500
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation/amortization	174,481	102,222	-	276,703	283,097
Changes in assets & liabilities:					
Decrease (increase) in receivables	(39,404)	(3,221)	-	(42,625)	13,085
Decrease (increase) in other assets	-	-	-	-	-
Increase (decrease) in accruals	(160,803)	(14,556)	-	(175,359)	210,006
Miscellaneous expense	(3,118)	-	-	(3,118)	(17,628)
<b>Total adjustments</b>	<b>(28,844)</b>	<b>84,445</b>	<b>-</b>	<b>55,601</b>	<b>488,560</b>
<b>Net cash provided (used) by operating activities:</b>	<b>\$ 492,811</b>	<b>\$ 111,282</b>	<b>\$ (51,713)</b>	<b>\$ 552,380</b>	<b>\$ 819,060</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1: Structure**

North Logan City was incorporated in 1934 as a political subdivision of the State of Utah. The City is a fifth class city operating under the traditional form of government (i.e., a Governing Body consisting of a Mayor and five Council Members, with the Mayor voting only to break a tie). The Mayor appoints the Planning Commission, Library Board, and other committees with the consent of the City Council.

The justice court is located in Hyde Park. The same judge presides in both courts and Bailiffs are provided by the North Park Police Department. They are paid by Hyde Park City, with North Logan's share being billed monthly. Police services are provided by North Logan, with Hyde Park paying their share monthly. Animal control service is provided by North Logan to Hyde Park and Smithfield, with monthly charges based on an agreed formula.

Solid waste collection is provided by the Cache County Service Area. North Logan is billed monthly for this service and the county dispatch fee, which North Logan then bills to utility customers. Sewage treatment is provided by Logan City and is billed to North Logan monthly based on flow. In addition, pretreatment charges are billed to businesses after the Logan City bill is received.

Library service is funded primarily by a dedicated property tax. State law requires that a Library Board set operational policies and recommend the budget when a dedicated property tax is used. The Friends of the Library was set up as a separate organization to raise additional funds and find grants to supplement the dedicated property tax. The Friends write checks to give funds to the City for library use. The Thorne Endowment provides approximately \$70,000 per year to allow Hyde Park children to use the North Logan Library.

Water, sewer, and storm water services are provided by enterprise funds.

A volunteer fire department provides fire and first responder services.

Facilities maintenance for all public buildings is allocated to other departments monthly based on square footage occupied. Parks and water treatment plant maintenance are also done by facilities department employees, but are tracked separately.

The streets department handles street maintenance, sweeping, and snow plowing.

A staff planner provides input to the Planning Commission and handles economic development.

Protective Inspection performs plan reviews, building inspections, and engineering.

A part-time recreation director coordinates recreational programs and events sponsored by the City.

The city office staff handles accounting, utility billing, and clerical functions.

## **Note 2: Summary of significant accounting policies**

North Logan City complies with accounting principles generally accepted in the United States of America applicable to governmental units (US GAAP). We apply all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before 30 November 1989, unless those pronouncements conflict with or contradict GASB pronouncements, which take precedence.

The financial statements of the City consist only of the funds of the City. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The general fund is the major operating fund of the City. It accounts for all financial resources not required to be accounted for in another fund. All governmental funds use the modified accrual basis of accounting (i.e., revenues are recognized when they become measurable and available as net current assets; expenditures are recognized when the related fund liability is incurred). Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Special revenue funds follow the same principles as the general fund, but account for legally restricted revenues such as dedicated property tax. When the special revenues cease, the fund is closed to the fund responsible for continuing operations.

Capital projects funds account for the construction of assets funded by bonds, or for the accumulation of funds to replace major equipment.

Enterprise funds are used to account for operations which are financed and operated like a private business, where the governing body intends to finance the costs of providing services to the general public through user charges. The accrual basis of accounting is used (i.e., revenues are recognized when earned; expenses are recognized when incurred).

Only the current portion of long-term liabilities is included in governmental funds. The purchase of fixed assets is recorded in governmental funds, so no depreciation appears on the fund financial statements. GASB 34 requires the capitalization of roads, bridges, and sidewalks (infrastructure), for the government-wide financial statements. This was estimated based on an inventory made by the Technology Transfer Center at Utah State University when GASB34 was implemented.

All fixed assets greater than \$3,000 are valued at historical cost, except donated assets, which are valued at estimated fair market value on the date donated (primarily streets, water, and sewer systems dedicated by developers).

All enterprise funds are accounted for on a cost of services, or "capital maintenance," measurement focus. This means that long-term assets and debts are included on their balance sheets.

Depreciation is calculated on a straight line basis. One-half year depreciation is taken in the year the asset is placed in service. No depreciation is calculated for the year the asset is disposed of. When assets are transferred, all depreciation is charged to the department receiving the asset. Estimated useful lives are:

Sewer & Water Systems	50 years
Roads	20 years
Buildings & improvements	10 -50 years
Equipment	3-20 years

Annual budgets are adopted by the City Council on or before June 22 for the following fiscal year. Budgets may be increased by resolution of the City Council at any time during the fiscal year following a public hearing.

Property taxes are collected by Cache County and remitted monthly. Real property taxes are due and payable on November 30 of each year. Personal property taxes are collected and remitted to the City monthly.

For the purposes of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

During the fiscal year, purchase orders are booked as expenditures when issued. There were no purchase orders authorized but not invoiced at June 30, 2006. Also, purchase commitments exceeding \$1,000 for which no invoice was actually received before the cut-off date for accounts payable are accrued each month and at year end.

## Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental funds type balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds type balance sheets.

#### Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$19,647,181
Accumulated depreciation	(10,536,712)
Total difference	<u>\$ 9,110,469</u>

#### Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds and leases \$	(1,752,471)
Bond issue costs, net of amortization	11,280
Compensated absences	(117,096)
	<u>\$ (1,858,287)</u>

### B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 854,409
Loss on disposal of fixed assets	(117,448)
Depreciation expense	(773,871)
Net difference as reported	<u>\$ (36,910)</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$200,000
Repayment of capital lease principal	86,027
Change in accrued compensated absences	9,022
Amortization of bond issuance costs	<u>(940)</u>
	<u>\$ 294,109</u>

### **Note 3: Cash & investments**

#### **Deposits and Investments**

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

#### **Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$181,458 of the local government's bank balances of \$424,045 were uninsured and uncollateralized.

#### **Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments had investments of \$1,689,098 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

### Note 4: Accounts receivable

The City has accounts receivable as of June 30, 2006, as follows:

Garbage and Dispatch fee	\$ 53,441	(net of \$3,160 allowance)
Water	95,729	(net of \$8,299 allowance)
Sewer	52,544	(net of \$4,930 allowance)
Property tax	739,528	
Court	82,514	(net of \$21,408 allowance)
Sales tax	137,352	
Class C Road funds	<u>53,648</u>	
Total	<u>\$ 1,214,756</u>	

### Note 5: Utility users

As of June 30, 2006, the number of utility users were:

	Residential	Commercial
Water	1,795	82
Sewer	1,668	136
Garbage	1,708	111
Dispatch	2,018	195

#### Water rates:

\$1.57 per thousand gallons, plus:

Meter size	Fee
¾ or 1	7.11
1 ½	10.34
2	14.22
3	29.09
4	54.29
5	135.74

#### Sewer rates:

\$1.15 per thousand gallons winter water usage, plus:

Water meter size	Fee
¾ or 1	13.00
1 ½	17.88
2	24.38
3	48.75



4	89.38
5	221.00

Garbage rates:

Residential 90 gallon	13.30
Residential 60 gallon	9.45
Green Waste	4.00
Recycle Can	6.00
Commercial	\$1.05 plus \$6.20 per cubic yard of container

Dispatch rates:

All	\$2.00
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**Note 6: Insurance & bond coverages**

As of June 30, 2006, insurance and bond coverages are as follows:

Type	Insurer	Limit	Expires
Comprehensive general Liability	The St Paul	\$1,000,000	7/1/06
Errors and omissions	The St Paul	1,000,000	7/1/06
Law enforcement Liability	The St Paul	1,000,000	7/1/06
Automobiles – liability	The St Paul	1,000,000	7/1/06
Fire-buildings & Contents	The St Paul	4,268,500	7/1/06
Treasurer position bond	Kemper	40,000	2/1/07
Mayor & Treasurer Bonds	Western Surety	424,710	6/26/07
Blanket employee bond	Allied Insurance	10,000	4/1/07
Treasurer position bond	Hartford	346,000	11/16/06

**Note 7: Overexpended budget**

The following departments within the General Fund overexpended their budgets:

Transfers to other funds	156,555
Sanitation	148

**Note 8: Long-term debt**

Long-term debt at June 30, 2006, consists of the following:

Water fund:	7/1/05	New debt	Principal Paid	6/30/06
US Bank Trust; \$2,495,000 due in annual installments ranging from \$50,000 to \$780,000 per year plus interest ranging from 3.10% to 4.70%	2,100,000	0	125,000	<u>1,975,000</u>
Total water fund				<u>\$1,975,000</u>
Sewer fund:				
GMAC; \$1,000,000 Due in monthly Installments of \$4,830 including interest at 5.00%	629,892	0	29,611	600,281
GMAC; \$560,000 Due in annual Installments of \$32,911 including interest at 5.00%	353,961	0	15,215	<u>338,746</u>
Total sewer fund				<u>\$939,027</u>
General fund:				
National City Commercial Capital; Fire Truck, \$566,535 due in Annual installments Of \$56,653 including interest	153,640	0	51,169	102,471
US Bank; road Construction, \$1,070,000 due in annual installments ranging from \$90,000 to \$130,000 plus interest ranging from 4.00% to 4.75%	370,000	0	115,000	255,000

Caterpillar; tool  
Carrier, \$81,294  
Due in monthly  
Installments of  
\$1,694

6,816	0	6,816	0
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Caterpillar; motor  
Grader, \$121,148  
Due in monthly  
Installments of  
\$2,524

10,157	0	10,157	0
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Zion's Bank;  
2 police cars,  
\$52,068 due in  
annual installments  
of \$18,431

17,885	0	17,885	<u>0</u>
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Total general fund

\$ 357,471

Library fund:

US Bank; library,  
\$2,000,000 due in  
annual installments  
ranging from \$75,000  
to \$680,000 plus  
interest ranging from  
4.85% to 5.00%

1,480,000	0	85,000	1,395,000
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Total Library fund

\$1,395,000

Assets have been restricted and retained earnings reserved to meet bond sinking fund requirements.  
The City is in compliance with all significant bond requirements.

The annual requirements to amortize long-term debt outstanding as of June 30, 2006, are as follows:

<u>June 30</u>	<u>Lease Principal</u>	<u>Lease Interest</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2007	51,169	5,485	388,865	213,165
2008	51,302	2,812	406,127	195,836
2009			288,505	177,556
2010			296,005	164,734
2011			308,635	151,451
2012			326,400	137,288
2013			339,308	121,995
2014			357,366	106,093
2015			375,582	89,091
2016			393,963	70,956
2017			412,519	51,935
2018			436,259	32,019
2019			80,191	10,955
2020			154,302	5,485
Totals	<u>\$ 102,471</u>	<u>\$ 8,297</u>	<u>\$ 4,564,027</u>	<u>\$ 1,528,559</u>

#### **Note 9: Retirement Systems**

##### **Plan Description**

The City contributes to the Local Government Contributory Retirement System, the Local Government Noncontributory Retirement System, the Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System for employers with Social Security coverage. All of these are cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems, which provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with Utah Code Title 49.

The Utah State Retirement Board, whose members are appointed by the Governor, oversees the Utah Retirement Systems. A copy of the Utah Retirement Systems annual report may be obtained by writing the Utah Retirement Systems, 540 E 200 S, Salt Lake City UT 84102 or by calling 1-800-365-8772. This document includes the financial statements and required supplementary information for all the plans administered by the Utah Retirement Systems.

##### **Funding Policy**

Rates	Paid by		
	Employer for		
	<u>Employee</u>	<u>Employer</u>	<u>401(k)</u>
Local Gov't Contributory	6.00	7.08	0
Local Gov't Noncontributory	0	11.09	1.99
Public Safety Contributory	12.29	7.95	0
Public Safety Noncontributory	0	19.34	0.90
Firefighters	8.61	0	0

Contributions	<u>6/30/2006</u>	<u>6/30/2005</u>	<u>6/30/2004</u>
Local Gov't Contributory	8,617	8,470	7,339
Local Gov't Noncontributory	91,019	86,840	70,122
Public Safety Contributory	37,035	40,400	33,072
Public Safety Noncontributory	8,189	5,605	3,747
Firefighters	1,097	0	0

One employee previously retired under the Public Safety Contributory plan. The Police chief retired November 30, 2003, under the Public Safety Noncontributory plan but continues to work. The City pays 19.34% of their salary to a 401K plan. Payments for 2006 totaled \$33,912.

The Firefighters category was set up after a full time fire chief was hired in fiscal year 2006. The previous fire chief was classified as Local Gov't Noncontributory.

No contribution is made for covered part-time employees who do not qualify for other benefits.

#### **Note 10: Changes in Fixed Assets**

General fixed asset changes occurring for the year ended June 30, 2006, are as follows:

	<u>7/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/06</u>
Land	\$1,914,739	\$ 336,603	\$	\$2,251,342
Water shares	58,169			58,169
Buildings	2,154,956		7,195	2,147,761
Library	397,400	6,509	59,495	344,414
Police	343,529	38,250	105,812	275,967
Fire	1,029,113	102,470	81,127	1,050,456
Streets	667,843		62,672	605,171
Parks	120,170	81,490	16,098	185,562
Facilities	39,241	17,480	6,284	50,437
Inspection	117,298	24,366	30,018	111,646
Administrative	16,463		9,934	6,529
Executive	43,130		5,072	38,058
Planner	23,250		13,395	9,855
Court	4,977		1,524	3,453
Road System	<u>12,261,120</u>	<u>247,241</u>		<u>12,508,361</u>
Total assets	<u>19,191,398</u>	<u>854,409</u>	<u>398,626</u>	<u>19,647,181</u>
Accumulated depreciation	<u>(10,044,019)</u>	<u>(773,871)</u>	<u>( 281,178)</u>	<u>(10,536,712)</u>
Net assets	<u>\$ 9,147,379</u>	<u>\$ 80,538</u>	<u>\$ 117,448</u>	<u>\$9,110,469</u>

Enterprise fund changes were as follows:

Water:

Land	\$ 10,301	\$	\$	\$ 10,301
Water shares	16,159			16,159
System	7,360,294	230,002	2,045	7,588,251
Equipment	465,584	77,859	17,723	525,720
Accumulated depreciation	<u>(2,482,181)</u>	<u>(172,546)</u>	<u>(15,104)</u>	<u>(2,639,623)</u>
Net assets	<u>\$5,370,157</u>	<u>\$ 135,315</u>	<u>\$ 4,664</u>	<u>\$5,500,808</u>

Sewer:

Land	\$ 850	\$	\$	\$ 850
System	4,109,366	518,566		4,627,932
Equipment	273,266	3,000	15,123	261,143
Accumulated depreciation	<u>(1,873,139)</u>	<u>(102,222)</u>	<u>(14,477)</u>	<u>(1,960,884)</u>
Net assets	<u>\$2,510,343</u>	<u>\$ 419,344</u>	<u>\$ 646</u>	<u>\$ 2,929,041</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 6,017
Public safety	108,267
Streets	585,160
Parks & recreation	74,034
Community development	<u>393</u>
	<u>\$773,871</u>

**Note 11: Segment Information for Enterprise Funds**

Net working capital for the water and sewer enterprise funds is calculated as follows:

	Water	Sewer
Current Assets:		
Cash	\$662,734	\$ 186,621
Receivables	95,729	52,544
Current Liabilities:		
Accounts payable	(33,235)	(64,883)
Current portion		
Long-term debt	<u>(130,000)</u>	<u>(43,865)</u>
Net Working Capital	<u>\$595,228</u>	<u>\$130,417</u>

**Note 12: Risk Management**

In addition to the insurance coverage in Note 6, workers compensation is carried through the Utah Local Government Trust. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 13: Operating leases**

A street sweeper is leased from Tennant Financial Services for a period of five years. The monthly payment is \$2,359. Principal and interest payments for the next remaining year are as follows:

June 30

2007	\$ <u>7,077</u>
Total	\$ <u>7,077</u>

**Note 14: Compensated Absences**

Most employees earn paid vacation and sick days each month based on length of service. Also, if sick time is not used during the calendar year, up to 32 hours can be converted to vacation time at December 31. In addition, some employees are still owed for compensatory time in lieu of overtime pay from previous years. Vacation hours in excess of two years earnings not used before November 1 are forfeited. The termination method was used to accrue compensated absences of \$117,096 in the General Fund. All vacation hours and all compensatory time hours would be paid on termination. Only 10% of sick hours would be paid. Sick hours excluded amounts to \$228,558. Based on past experience 20% of sick hours would be used in a year.

**Note 15: Postretirement Employee Benefits**

One retiree was receiving health insurance based on 75% of his unused sick leave at the time he retired. The health insurance was terminated in the current year by paying the remaining balance. The liability at June 30, 2006, was \$0.

**Note 16: Accounting Changes**

The Library Special Revenue Fund now accounts for library activity that have been paid in the past by the General Fund. The library bond of \$1,480,000, restricted cash for debt service of \$85,000, bond interest expense of \$68,890, and the Thorne Endowment of \$75,000 was transferred to the Library Fund from the General Fund and will be accounted for as Library Fund transactions in the future.

A new enterprise fund was set up in fiscal year 2006 to account for storm water costs. The costs related to storm water in the past have been recognized in the streets department.

The capitalization policy was changed to allow capital outlays of less than \$3,000 to be expensed. The one-time impact of this was to write off the net amounts of assets including \$117,448 of general fund assets, \$4,664 of water fund assets, and \$646 of sewer fund assets.

**Note 17: Subsequent Events**

Smithfield City withdrew from the Tri-City Animal Control agreement and hired its own animal control officer. This will increase the share of costs payable by North Logan and Hyde Park.

Cache County Service Area began mandatory recycling in July, but did not start billing until August 2006. Since this is a pass-through billing, there is little effect on North Logan's financial statements.

A new storm water fee also began to be billed in August 2006. This will be used for maintenance and additions to the storm water system.

Negotiations for property with a well were completed in August 2006. The \$310,000 cost will be split between the Water Utility Fund and the Parks Department in the General Fund.

**Note 18: Memorandum Totals**

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.



**SUPPLEMENTAL SECTION**

**NORTH LOGAN CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<u>Capital Projects</u>	<u>Total Nonmajor Governmental 2006</u>	<u>2005</u>
<b>ASSETS</b>			
Restricted cash	\$ 27,012	\$ 27,012	\$ 27,169
Total assets	<u>\$ 27,012</u>	<u>\$ 27,012</u>	<u>\$ 27,169</u>
<b>LIABILITIES &amp; FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 26,907
Accrued expenses	<u>-</u>	<u>-</u>	<u>262</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>27,169</u>
Fund balances:			
Unreserved:			
Capital projects funds	<u>27,012</u>	<u>27,012</u>	<u>-</u>
Total fund balances	<u>27,012</u>	<u>27,012</u>	<u>-</u>
Total liabilities & fund balances	<u>\$ 27,012</u>	<u>\$ 27,012</u>	<u>\$ 27,169</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	Capital Projects	Total Nonmajor Governmental 2006	2005
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-
Charges for services	-	-	-
Fines	-	-	-
Other	-	-	292
	<u>-</u>	<u>-</u>	<u>292</u>
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>292</u>
<b>EXPENDITURES</b>			
Current operations:			
General government	24,366	24,366	-
Public safety	32,161	32,161	376,447
Streets	159,331	159,331	482,491
Parks and recreation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>215,858</u>	<u>215,858</u>	<u>858,938</u>
<b>Net change in fund balances</b>	(215,858)	(215,858)	(858,646)
<b>Transfers in (out)</b>	242,870	242,870	311,701
<b>Fund balances-beginning</b>	<u>-</u>	<u>-</u>	<u>546,945</u>
<b>Fund balances-ending</b>	<u><u>\$ 27,012</u></u>	<u><u>\$ 27,012</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<u>Storm water</u>	<u>Total Nonmajor Proprietary</u>	
		<u>2006</u>	<u>2005</u>
<b>ASSETS</b>			
Restricted cash	\$ -	\$ -	\$ -
Total current assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
Liabilities:			
Cash allocation	\$ 52,067	\$ 52,067	\$ -
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>52,067</u>	<u>52,067</u>	<u>-</u>
<b>NET ASSETS</b>			
Unrestricted:			
Storm water	<u>(52,067)</u>	<u>(52,067)</u>	<u>-</u>
Total net assets	<u>(52,067)</u>	<u>(52,067)</u>	<u>-</u>
Total liabilities & net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>Storm Water</u>	<u>Total Nonmajor Proprietary 2006</u>	<u>2005</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Professional fees	800	800	-
Repairs and maintenance	1,356	1,356	-
Other	41,205	41,205	-
Facilities	8,352	8,352	-
	<u>51,713</u>	<u>51,713</u>	<u>-</u>
Total operating expenses	<u>51,713</u>	<u>51,713</u>	<u>-</u>
Operating loss	(51,713)	(51,713)	-
<b>NON-OPERATING EXPENSES</b>			
Interest expense	(354)	(354)	-
	<u>(354)</u>	<u>(354)</u>	<u>-</u>
Total non-operating expenses	<u>(354)</u>	<u>(354)</u>	<u>-</u>
Change in net assets	(52,067)	(52,067)	-
Net assets-beginning	<u>-</u>	<u>-</u>	<u>-</u>
Net assets-ending	<u>\$ (52,067)</u>	<u>\$ (52,067)</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ -	\$ -	\$ -
Payments to suppliers	(51,713)	(51,713)	-
Payments to employees	-	-	-
Net cash used by operating activities	<u>(51,713)</u>	<u>(51,713)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	-	-	-
Interest paid on capital debt	(354)	(354)	-
Purchases of capital assets	-	-	-
Capital contributions	-	-	-
Net cash used by capital and related financing activities	<u>(354)</u>	<u>(354)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(52,067)	(52,067)	-
Cash and equivalents at beginning of year	-	-	-
Cash and equivalents at end of year	<u>\$ (52,067)</u>	<u>\$ (52,067)</u>	<u>\$ -</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ (51,713)	(51,713)	-
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation/amortization	-	-	-
Changes in assets & liabilities:			
Decrease (increase) in receivables	-	-	-
Increase (decrease) in accruals	-	-	-
Miscellaneous expense	-	-	-
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities:	<u>\$ (51,713)</u>	<u>\$ (51,713)</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF NORTH LOGAN  
SUPPLEMENTAL SCHEDULE  
SCHEDULE OF IMPACT FEES**

	2003	2004	2005	2006
<b>Beginning Balance:</b>				
Impact Fees - Road	\$ 33	\$ 28,158	\$ 137,420	\$ 2,262
Impact Fees - Parks	19	16,122	70,301	69,095
Impact Fees - Water	-	151,839	360,670	-
Impact Fees - Sewer	-	38,707	90,335	104,895
<b>Additions:</b>				
Impact Fees - Road	58,485	125,292	143,666	178,389
Impact Fees - Parks	39,984	58,310	113,589	111,804
Impact Fees - Water	150,336	212,755	145,882	241,187
Impact Fees - Sewer	38,324	67,478	59,086	102,730
<b>Interest:</b>				
Impact Fees - Road	142	2,051	5,189	2,376
Impact Fees - Parks	365	916	3,761	3,267
Impact Fees - Water	1,503	-	5,745	93
Impact Fees - Sewer	383	-	3,171	768
<b>Deletions:</b>				
Impact Fees - Road	(30,502)	(18,081)	(284,013)	(63,224)
Impact Fees - Parks	(24,246)	(5,047)	(118,556)	(30,655)
Impact Fees - Water	-	(3,924)	(512,297)	(227,957)
Impact Fees - Sewer	-	(15,850)	(47,697)	(208,393)
<b>Ending Balance:</b>				
Impact Fees - Road	28,158	137,420	2,262	119,803
Impact Fees - Parks	16,122	70,301	69,095	153,511
Impact Fees - Water	151,839	360,670	-	13,323
Impact Fees - Sewer	38,707	90,335	104,895	-
	<u>\$ 234,826</u>	<u>\$ 658,726</u>	<u>\$ 176,252</u>	<u>\$ 286,637</u>

Impact fees have been used for the following capital projects: new water lines, new road improvements, and sewer system. Future expenses for impact fees include new parks, new road improvements and bridges, and water system improvements.

The notes to the financial statements are an integral part of this statement.



Peterson  
Allred  
Jackson

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City) as of and for the year ended June 30, 2006, which collectively comprise the City of North Logan's basic financial statements and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated September 29, 2006.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of North Logan in a separate letter dated September 29, 2006.

This report is intended for the information of the City Council and management, and certain legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alfred Jackson

September 29, 2006



Peterson  
Allred  
Jackson

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Business Consultants

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the financial statements of the North Logan City, Utah (the City), for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City of North Logan's financial statements.)

Public Library Development Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	Uniform Building Code Standards

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the North Logan City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Peterson Alfred Jackson

September 29, 2006



Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

September 29, 2006

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

Dear Mayor Potter:

In planning and performing our audit of the financial statements of North Logan, Utah (the City), for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to internal control structure (other than "reportable conditions") and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized.

#### **PRIOR YEAR FINDINGS**

**Finding:** *Unreserved fund balance.* The State requires that cities must maintain an unreserved general fund balance of at least 5%. The City had an unreserved general fund balance of 2.5% as of June 30, 2005.

**Recommendation:** Establish a plan to increase the unreserved general fund balance by approximately \$100,000.

**Management response:** The city budget has typically been structured to provide the city council with information about the projected unreserved fund balance that will result if the budget is followed. The council has always set a target of at least 5% fund balance but setting the target at this minimum point does not leave sufficient room for error or unanticipated expenses or revenue shortfalls as the fiscal year closes out. The council will revise its FY2006 budget in order to ensure the required fund balance is met for FY2006 and with room to spare.

**Status:** The general unreserved fund balance was within the required limits as of June 30, 2006.

**Finding:** *Justice court.* The City did not remit one of their monthly reports to the State by the 10<sup>th</sup> of the month.

Recommendation: Prepare all applicable reports on a timely basis to meet the required deadline.

Management response: There was only monthly justice court report which was late by three days. This occurred during the holiday season. Although this represents improvement over the previous year when three reports were late, the court clerk has been advised as to the importance of having these reports in on time. Management will continue to monitor the reports on a monthly basis to ensure they are submitted on time.

Status: Three reports were not submitted by the 10<sup>th</sup> of the month during fiscal year 2006.

Finding: *Budgetary Compliance.* During our review of the budget to actual for the departments of the City, we became aware that several department's actual expenditures exceeded the appropriations.

Recommendations: We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

Management response: *Executive:* The over-budget spending in Executive was a result of changing the account used for a secretary's health benefits. Adjustments made in June did not take into account that her health benefits had previously been covered in the Administrative accounts rather than where it was budgeted, which was Executive. This was a one-time error, corrective action has already been taken to ensure these health benefits are paid from the same account where they were budgeted.

*Transfer to Capital Projects:* Additional funds were transferred to the Capital Projects fund as the fiscal year closed out to ensure that fund was not overspent. Management will monitor this account more closely and take action to have extra funds in the Capital Projects account to carry over to following years.

*Recreation & Culture:* This over-budget spending was for extra Little League supplies procured during late June. As this is a restricted fund there was a misunderstanding that if funds were available they could be used, but the budget had not been modified for these extra purchases. Management has advised the supervisor of this error and will monitor the account more closely.

*Sanitation:* This over-budget expenditure represents less than ¼ of 1% variance from the projected budget. Projecting the fees to be paid to Logan City for sanitation services can vary slightly from month to month. Management will ensure future expenditure projections leave a little room for error.

*Streets:* Again this variance is very small in comparison to the total streets budget. The over-budget amount here is less than 1/10<sup>th</sup> of 1%. Again management will ensure future expenditure projections leave a little room for error.

*Planning & Zoning:* The over-budget expenditure in this area was for the wages paid to the members of the planning commission. Earlier budgets for the year authorized more than enough to cover this expenditure but the later budgets reduced this line item more than it should have been. Management will modify the way it computes the projected funds for wages for the planning commission for more accuracy.

*Park & Park Areas:* The over-budget expenditures in this area were partly due to employee wages. The budget is built assuming only Park Department Employees' wages are charged to this account. When other departments loan personnel to this department to do work in the

parks, as was the case in June of this year, their wages are paid for in this department rather than their "home" department such as Streets or Utilities. Management will monitor this cross-utilization of personnel to more accurately project costs in the correct account.

Status: Two areas were over budget at the end of fiscal year 2006, see current year finding.

## CURRENT YEAR FINDINGS

Finding: Budgetary Compliance. During our review of the budget to actual for the departments of the City, we became aware that two department's actual expenditures exceeded the appropriations.

Recommendations: We recommend that the City continue to monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

Management response: There was a significant improvement in this area this year. While seven departments overspent last year, there were only two overspent this year and both of those, in management's opinion, were very insignificant in their impact on the city.

Sanitation: This "department" was overspent by only \$148 out of about \$480,000 or about three one hundredths of a percent. The only expenditure in this department is the monthly payment made to Logan City for trash collection. City staff tries to be as accurate as possible in estimating this payment and as can be seen they were very close to estimating what the actual payment would be. Rather than "padding" this areas in the budget in the future, the staff will continue to monitor this monthly payment closely to make sure North Logan is paying only what it truly owes to Logan City and continue to be as accurate as possible in predicting this expenditure for budgetary purposes.

Transfer: The other "over budget" area was Transfers. The overage of \$156,555 does not represent a true over expenditure but rather a misunderstanding about how best to account for some library bond money and how it should have been represented in the final version of the budget. This should be a one-time action and once corrected through this audit process it should not be an area of concern in the future. Management recommends no additional action be taken.

Finding: Justice court. The City did not remit three of their monthly reports to the State by the 10<sup>th</sup> of the month.

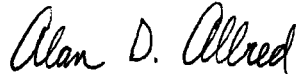
Recommendation: Prepare all applicable reports on a timely basis to meet the required deadline.

Management response: The court clerk and the judge have been advised again of the need to expedite this report because of the extremely short time frame the financial staff has to process the payment associated with the report. Management will continue to monitor the reports as they are submitted.

In conclusion, we wish to recognize Jeff Jorgensen and Tom Northenor for the excellent services provided to North Logan City. They have been most cooperative in assisting us in the performance of the audit for the 2006 fiscal year. The performance of the North Logan City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred".

Alan D. Allred, CPA